

Message Text

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ACTION EB-08

INFO OCT-01 NEA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02 OMB-01
DOE-11 STRE-00 AF-10 ARA-10 EA-10 EUR-12 OIC-02
/159 W

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TO SECSTATE WASHDC 7243
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PASS STR ELECTRONICALLY

E.O. 11652: N/A
TAGS: ETRD, GATT, IS
SUBJECT: GATT COUNCIL - ISRAELI REQUEST TO RAISE
SPECIFIC DUTIES

REF: (A) STATE 63011, (B) STATE 60217

1. SUMMARY: EC AND SWITZERLAND OPPOSED ESTABLISHMENT
OF WORKING PARTY AT THIS MEETING AND MATTER REFERRED TO
NEXT MEETING OF COUNCIL. END SUMMARY.

2. ISRAEL INTRODUCED ITS REQUEST BY NOTING THAT IMF
HAD APPROVED ITS ECONOMIC PLAN IN NOVEMBER 1977 AND HAD
TAKEN NOTE OF THE ISRAELI EXCHANGE RATE SYSTEM. ISRAELI
DEL (HARAN) SAID THAT ADJUSTMENT WOULD NOT GO BEYOND
EFFECTIVE DEPRECIATION OF ISRAELI POUND AND DID NOT,
THEREFORE, AFFECT GATT BINDINGS. ISRAELI DELEGATE WOULD
GIVE FURTHER DETAILED INFORMATION IF REQUESTED. HE
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NOTED THAT ARTICLE II:6(A) AND THE PAR VALUE SYSTEM WAS
A MATTER OF HISTORY. THE BREAKDOWN OF THE BRETTON WOODS
SYSTEM NECESSITATES CERTAIN CHANGES IN THE GENERAL
AGREEMENT. THE SYSTEM OF FLEXIBLE EXCHANGE RATES HAS
NOT OBIATED THE NEED TO ADJUST SPECIFIC RATES WHEN
THE PRICE OF IMPORTS INCREASES DUE TO DEPRECIATION. THIS
IS STILL NECESSARY IN ORDER TO MAINTAIN A BALANCE OF

CONCESSIONS. HE RECOGNIZED THAT CPS MIGHT WISH TO EXAMINE THE QUESTION IN GENERAL AND SUGGESTED THAT THE BALANCE OF PAYMENTS COMMITTEE WOULD BE THE CORRECT PLACE TO EXAMINE THE QUESTION SINCE COOPERATION WITH THE IMF IS INSTITUTIONALIZED IN THAT COMMITTEE.

3. AS PER REF A, WE AGREED WITH THE ISRAELIS IN PRINCIPLE BUT NOTED THAT THE REQUEST RAISES A NUMBER OF COMPLICATED PROBLEMS. WE SAID THAT, WHILE WE WERE PROPOSING A WORKING PARTY TO EXAMINE THE QUESTION, WE COULD ACCEPT ITS CONSIDERATION IN THE BALANCE OF PAYMENTS COMMITTEE IF THAT WERE THE DECISION OF THE COUNCIL. WE NOTED, HOWEVER, THAT THE BOP COMMITTEE WOULD NEED A SPECIAL MANDATE TO UNDERTAKE THIS EXAMINATION.

4. THE EC (LUYTEN) CALLED THE MATTER A DIFFICULT AND DELICATE QUESTION WHICH IT HAD NOT YET HAD TIME TO STUDY IN DETAIL. EC IS NOT YET READY TO ACCEPT THE VIEW THAT ARTICLE II:6(A) SHOULD BE APPLIED IN A WORLD OF FLEXIBLE EXCHANGE RATES. LUYTEN SAID THAT BEFORE WE ABANDONED FIXED POINTS WE SHOULD THINK THE MATTER OVER CAREFULLY, AND BEFORE DISCUSSING WHAT PROCEDURES TO FOLLOW IN THE GATT IT IS NECESSARY TO REVIEW THE QUESTION AT THE NEXT MEETING OF THE COUNCIL. HE ADDED THAT ONE SOLUTION TO SUCH PROBLEMS IS FOR THOSE COUNTRIES MAINTAINING SPECIFIC RATES TO CONVERT THEM TO AD VALOREM DUTIES LIMITED OFFICIAL USE

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UNDER THE PROCEDURES OF GATT ARTICLE XXVIII.

5. SWITZERLAND SUPPORTED THE RIGHT OF A COUNTRY TO MAKE SUCH ADJUSTMENTS UNDER ARTICLE II:6(A) BUT SAID THAT THE MODALITIES OF ITS APPLICATION IN A FLEXIBLE EXCHANGE SYSTEM RAISED MANY QUESTIONS. WHILE THEY THOUGHT THAT IT COULD BE EXAMINED IN DUE COURSE, THEY WERE NOT READY TO TAKE A FINAL DECISION ON THE CORRECT PROCEDURE TO BE FOLLOWED AND WISHED THE MATTER REFERRED TO THE NEXT MEETING OF THE COUNCIL.

6. COUNCIL CHAIRMAN CARRIED ITEM OVER TO NEXT MEETING OF COUNCIL. VANDEN HEUVEL

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